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PART IV

DEPARTMENT OF THE TREASURY

Office of the Secretary

IMPORTED STEEL MILL PRODUCTS TRIGGER PRICE MECHANISM

[4810-25]

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REVISIONS BY TREASURY STEEL TRIGGER PRICE TASK FORCE

I. Introduction and Summary

Most of the trigger prices announced to date by the Treasury have been based on aggregate average cost data complied by the six largest Japanese integrated steel companies, as submitted to the U.S. Government by the Japanese Government (Ministry of International Trade and Commerce) in December 1977. The Steel Trigger Price Task Force was formed in March 1978 to review the data thus submitted and the methodology used, as well as to perform additional analysis and research on Japanese steel production costs. Based on the review, possible adjustments to the average cost as well as individual product cost relationships and "gaps" and "anomalies" in product coverage were considered.

The nine-person task force consisted of two steel engineers, two economists, two accountants with knowledge of Japanese accounting practices, and three representatives of the Treasury Department and Customs Service. The task force visited several U.S. plants and conducted extended discussions with U.S. steel company representatives, focusing on the methodology for calculating steel production costs. The task force also reviewed dozens of written submissions by interested parties that either raised questions about cost-related aspects of the trigger price mechanism or pointed out gaps or anomalies in the system as originally structured.

In Japan, the task force conducted numerous discussions with Japanese MITI officials and steel industry representatives. In these discussions, the task force probed the cost information submitted by MITI in December 1977 and made numerous requests for additional data. The task force also visited eight Japanese steel mills, five of which the task force itself had selected. These visits consisted of (1) a tour of plant facilities selected by the task force and other facilities chosen by the plant management; and (2) discussions with plant managers and mill supervisors concerning specific aspects of production practice, performance data, and production costs.

The result of the task force's analysis is an upward revision of the average costs of the six largest integrated Japanese steel producers from $297.80 to $300.76 per net ton of finished product. The principal changes are:

Operating rate: The task force has revised Japanese production costs using a 5-year average operating rate. *The change increases the cost of production by about $18 per net ton over the original calculations* (which used an 85 percent operating rate—the average experienced by the Japanese steel industry over the past 20 years).

Yield: The task force has revised the yield percentage from 80 percent to 82.7 percent, which reduces Japanese production costs by about $12. In addition, part of the output treated as yield loss—and formerly valued as scrap—has been revalued as secondary quality material, resulting in a $9 yield credit (which is $3 more than the previous scrap credit). In total, *the yield adjustments result in a downward revision of costs by $15 per net ton.*

Other: The above changes necessitated some adjustments in "other expenses" and capital charges, including profit. Profit is charged at 8 percent of all noncapital costs.

Details of these changes are explained below.

II. Revisions in Average Production Costs

The task force has made revisions in various components of cost that comprise the average cost per ton of finished product. To explain these revisions, two adjustments of prime importance are first explained because they permeate all of the identified cost components. These adjustments are in (i) the capacity utilization used to calculate fixed costs per unit, and (ii) the yield of finished steel mill products from raw steel. Based on these adjustments, specific changes in the identified cost components—raw materials, labor, other expenses, and capital charges—are calculated.

A. CAPACITY UTILIZATION

The allocation of fixed costs of production to units produced is based upon an average operating rate over a period of time. Such a calculation cannot be based upon the current operating rate because it would be unrealistic to treat costs at either the high end or low end of an operating cycle as representative for determining "average" costs. For the purposes of establishing a threshold for Treasury investigations under the Antidumping Act, such an average cost figure appears most appropriate. The concept of allocating fixed costs over some "reasonable period of time" is found in section 205(b) of the Act concerning the determination of sales at less than the cost of producing merchandise and has been interpreted by Treasury to require consideration of operating rates over the most recent business cycle of the industry concerned.

In the January 3 trigger price calculations, costs were based on an 85 percent-operating rate, reflecting the average rate of utilization for the Japanese steel industry over the past 20 years. Moreover, MITI assumed that all labor, capital, and "other" expenses do not vary with the rate of capacity utilization.

Period of measurement. After a careful examination of the issue, the task force recommended and the Secretary has determined that the minimum period for measuring capacity utilization in the construction of trigger prices should be 5 years. Since steelmaking assets are long-lived, and the demand for steel is sensitive to fluctuations in general economic conditions, it is necessary to calculate costs at some normal or average utilization rate over the business cycle. This requires a 5-year period—1973 to 1977—to reflect approximately the shortest reasonable business cycle in the steel industry.

Thus, whereas the January cost calculations were based on a 20-year average capacity utilization in the Japanese steel industry, the task force's revisions are based on a 5-year average.

Percentage of capacity utilization. Capacity utilization can be measured as a percentage of either (1) theoretical (or "rated") capacity; or (2) actual (or "effective") capacity.[1]

The Japanese steel industry has begun to calculate capacity utilization in terms of effective capacity, taking October of 1973—a month of peak output—as 100-percent utilization.[2] Measured by that standard, the Japanese steel industry has been operating at an average of 83.2 percent over the past 5 years. That figure is equivalent to a 73.2-percent operating rate under the theoretical method of defining capacity utilization.

In any event, regardless of which definition is used, the salient factor for cost calculations is not the absolute percentage of capacity utilization, but the relationship between current utilization and average (or "standard") utilization.

Japanese costs of production for the six largest integrated producers in the first 6 months of fiscal year 1977 were

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[1] Rated capacity is an engineering assessment of the theoretical maximum output of one piece of equipment (e.g., a steel furnace). It takes no account of other production constraints, such as coordination with other equipment. Effective capacity attempts to take account of all production constraints that affect actual output and is thus smaller than rated capacity.

[2] Effective capacity can be measured in different ways. MITI calculated effective capacity at 88 percent of rated capacity. Another method would be to base effective capacity on peak-to-peak output over a period of years. The two approaches will give slightly different results, but are reconcilable. In any event, it is not the absolute number, but the relation between the average capacity utilization and current capacity utilization that is relevant for cost calculations.

provided by MITI assuming 95 percent effective utilization (termed "standard volume"). The task force recalculated these MITI costs on a current effective capacity utilization basis of 66.6 percent (58.6 percent rated) in the first 6 months of fiscal year 1977. These latter costs were then adjusted to represent 83.29 percent effective (73.2 percent rated) capacity utilization, incorporating the following assumptions:

1. All raw material costs were assumed to be 100 percent variable (i.e., cost per ton of output is not affected by changes in capacity utilization);
2. Labor costs were assumed to be 50 percent variable and 50 percent fixed (i.e., 50 percent not affected by capacity utilization, 50 percent varying inversely with capacity utilization);
3. Other expenses: 50 percent variable, 50 percent fixed;
4. Depreciation: 10 percent variable, 90 percent fixed;
5. Interest: 25 percent variable, 75 percent fixed.

The treatment of costs as fixed or variable is based upon a large number of factors considered by the task force. For example, it is appropriate to treat labor as being 50 percent affected by capacity utilization even though the original MITI calculations assumed labor to be unaffected by changes in capacity utilization because of certain unique features of Japanese corporate employment practices. The variability of labor is supported by a number of factors: Labor hours have dropped rather sharply with steel output in the past 3 years; in many cases, attrition of the workforce has occurred though retirement; finally, some workers are now being loaned out to other enterprises.

Since reductions in the rate of capacity utilization lead to lower rates of consumption of capital facilities which are banked, 10 percent of depreciation is assumed to be variable. Similarly, the working capital required to support raw materials, work in process, and final materials is reduced when production declines. Therefore, 25 percent of interest expense is assumed to be variable.

Based on these assumptions and a rated capacity utilization of 73.2 percent, the average Japanese production costs are approximately $18 higher than the original cost calculations. The effect of reducing the average rate of capacity utilization upon which trigger prices are calculated is not as large as might otherwise be expected because the change influences only capital costs and other expenses. As explained below, labor costs have already been adjusted to reconcile the original MITI submission with published statistics. That prior adjustment thus mitigated the effect of the capacity utilization adjustment now made by the task force, and no change was now made to the labor component.

B. YIELD

The task force examined Japanese production practices carefully in order to obtain a measure of the yield from crude steel (the first solid state) to finished products. In addition, official industry and government publications were analyzed in order to reconcile the estimated flows of crude, intermediate, and finished products. Based on these studies, the Japanese yield—having been lowered from the 86.5 percent claimed by the Japanese to 80 percent for the Japanese cost calculations—has been raised to 82.7 percent for a number of reasons.

The technology used by the Japanese integrated producers is of a very recent vintage. They utilize process computers far more extensively than U.S. companies. Their rolling mills allow the production of finished products with minimal yield losses and crown. Continuous casting is far more extensively used than in the United States. Finally, Japanese plants are much newer, allowing them to roll larger coils from longer slabs than is generally the U.S. practice. Specifically:

1. *Continuous casting.* The Japanese producers utilize continuous casting for 35.1 percent of their raw steel production, as compared with 10.5 percent in the United States in 1977. By itself, this increases yield by 3.23 percent, but it also increases, the yield from ingots to slabs because the number of killed, hot-top ingots is reduced. In total, the effect of greater continuous casting in Japan is to increase the integrated producers' yield to 5.9 percent over their U.S. counterparts.

2. *Computer process control.* The use of computers to control the production processes from primary production to product finishing provides a substantial increase in yield for the Japanese integrated producers. The computers increase yield through improvements in the "provisioning" of ingots and slabs (i.e., the more precise matching of ingot and slab size to final product to minimize yield loss), the improved scheduling and loading of production, improved quality, and better order and inventory control. The effect of these process controls is to increase yield by an estimated 3.2 percent over U.S. experience.

3. *Design of plant and equipment.* The newer facilities in Japan allow their producers to roll larger, high quality products because of:

Large continuous caster cross sections.
Long slab capacity in reheat furnaces.
In-process scales for weighing products.
Large rolls on rolling mills.
Great distance between rolling-mill stands.
Roll bending.
Large coilers.
Long run-out tables.
Large cooling tables.

The effect of all of these plant characteristics is to improve yield by an estimated 1.8 percent.

4. *Product mix.* The Japanese integrated firms produce a smaller proportion of coated products than U.S. firms, more large structural shapes, more wire rods, and slightly less uncoated flat-rolled products. Given Japanese yields on each product, this product mix increases their yield by 0.5 percent.

The combined effect of the above influences upon yield is to give the Japanese producers at least an 11.4 percentage point advantage over U.S. producers who reported a 71.3 percent yield in 1976. Therefore, the revised base trigger prices incorporate an 82.7 percent average yield from crude to finished steel.

Since the Japanese integrated producers reported an 86.5 percent yield in their original data submission through MITI, the difference (3.8 percent in finished steel production between that figure and the 82.7 percent figure now adopted by the task force must be given a value. The task force has decided to apply a credit representing the value of this production, treating it as neither prime quality product nor scrap, but as secondary quality material. Accordingly, the January scrap credit—relabeled a yield credit—has been raised from $5.96 to $8.90 per net ton of finished product.

C. RAW MATERIALS COMPONENT

Basic raw materials include iron ore, coal, purchased scrap, fuel oil, and electricity. Other raw materials include ferroalloys, lubricants, water, rolls, alloying materials, and limestone. Other raw materials also include fees paid for services performed by subsidiaries. The principal item of this type is, for some firms, a coke processing fee (i.e., some Japanese steel plants buy coal and send it to a subsidiary for coking, paying a fee for such processing).

The task force has reviewed both the basic raw materials and other raw material costs provided by MITI and published in the January 3 release, and has examined extensively the practice of having the coking operation done by a subsidiary. It also examined the coal and coke usage ratios based on all available information.

The task force has found no reason to correct or adjust the cost for raw materials published on January 3. Thus, the only revision that has been made to the Japanese data submission on raw materials is an exchange rate adjustment on other raw materials

from 242.5 yen=$1 to 240 yen=$1—the applicable yen/dollar rate at the time the raw materials costs were first calculated.

D. LABOR COSTS

In the January 3 release, labor costs were shown as $54.85 per net ton of crude steel at standard volume. In deriving this figure, Treasury raised the original man-hours estimate provided by MITI to 7 man-hours per metric ton to correspond more closely with other available statistics.

After careful examination of the factors observed and data gathered in Japan, the task force believes the January man-hours adjustment accurately reflects the labor requirement at the new average capacity utilization. Accordingly, the January calculation of total labor costs has not been changed.

The $8.64 hourly labor costs reported by MITI for 1977 includes all costs associated with labor—whether for direct employees or subcontracted or loaned-out workers. Similarly, the January 3 estimate of 7 man-hours per metric ton of crude steel (6.35 per net ton) embraces all workers, including head office employees, plant employees, and subcontract workers (37.8 percent of the total).

The figure of 7 man-hours per metric ton was derived from two sources: (1) A MITI submission; and (2) process-by-process man-hours per ton data acquired by the task force in Japan. Data from both sources were adjusted to the standard volume man-hours per ton, applying the assumption that 50 percent of labor varies with capacity utilization, and 50 percent is fixed. The process-by-process data were compared with U.S. estimates, and their validity was also assessed by onsite inspection of work practices in Japanese plants.

Both the MITI submission and process-by-process man-hour data gave similar total man-hour per ton results. Further, both aggregate and process-by-process labor utilization in Japan are in line with those in the more efficient U.S. plants. However, the 7 figure shown for Japan excludes work performed in those operations where a complete service was paid for on a fee basis by a Japanese steel producer. For example, as noted earlier, in some Japanese firms, coke production services were paid for on a fee basis, so coke production workers were excluded from that firm's man-hour data. In that circumstance, the task force assured itself that the fee for coke production services was included in that firm's costs for other raw materials.

E. OTHER EXPENSES

Because of its residual nature, the category other expenses is difficult to measure and verify. The representatives of MITI and the major producers have indicated this category embraces the following items:

i. Repairs.
ii. Maintenance.
iii. Utilities (excluding electricity).
iv. Water.
v. Oxygen.
vi. Travel.
vii. Design fees.
viii. Enterprise taxes.
ix. Advertising.
x. Postage.
xi. Entertainment.
xii. Professional dues.
xiii. Standards inspection.
xiv. Books.
xv. Printing.
xvi. Donations.
xvii. Office and factory supplies.
xviii. Rents.

No one of these items accounts for as much as $3 per net ton of finished product.

In the January 3 release, these other expenses were shown as totaling $19.39 per net finished ton. Since MITI treated these as fixed expenses, this estimate is consistent with $24.74 at actual 1977 volume. In their financial statements for fiscal year 1977, the six major integrated Japanese steel companies reported total materials and other expenses of $182.62 at an exchange rate of 240 yen per dollar. The total of raw materials and other expenses at actual volume per the January 3 announcement may be calculated at $178.10, or only slightly below the calculation based upon the public financial statements. The task force used the MITI report of other expenses and adjusted for the revised standard volume and a finished product yield of 82.7 percent. The final calculation, therefore, is $24.03 per net finished ton for the other expenses component of costs.

F. CAPITAL CHARGES

The necessary costs of capital—interest, depreciation, and profit—have been calculated on the basis of the revised capacity estimate for standard volume. Depreciation is assumed to be 90 percent fixed, while interest charges are assumed to be 75 percent fixed—the remaining 25 representing interest charges on working capital which varies with production levels.

Depreciation, adjusted to actual volume in 1977, may be calculated from the original MITI submission to be $21.42 per net ton of finished product. This estimate is very close to the amount reported for fiscal year 1977 by the six largest producers in their annual public financial statements. Adjusting for standard volume at the assumed ratio (90 percent fixed, 10 percent variable) reduces this figure to $18.64 per net ton. Adjusting to a yield for finished products of 82.7 percent raises the figure to $19.50.

Interest is calculated to be $20.77 per net ton at actual volume, somewhat above the $19.10 per ton for fiscal year 1977 shown in the published financial statements. Since interest charges vary directly with several factors—work in progress, the level of raw materials inventories, and the level of finished product inventories—total interest expense should be related to the volume of production. An analysis of the assets of the six major companies suggests that approximately 25 percent of interest charges are for this working capital and the remaining 75 percent are fixed. At the revised standard volume, therefore, interest per net finished ton is $18.47 based upon the initial MITI submission. Finally, adjusting to an 82.7-percent yield from raw steel to finished product produces the calculation of $19.32 per finished ton reported above.

Returns to capital were expressed in the January 3 announcement by using the 8 percent of all costs principle found in section 206 of the Antidumping Act for calculating "constructed value." This was the equivalent of a 13.1-percent before-tax return on total steelmaking assets, a reasonable return based upon the risk level of the industry. In the current revision, profit is again charged at 8 percent of all noncapital costs—$250.79 per net ton. Therefore, profit is calculated to be $20.06 per net ton. This raises total capital charges from $50.62 in the January 3 calculation to $58.88 per net ton of finished product.

G. SUMMARY OF COST REVISIONS

Overall, the most significant revisions made by the task force derive from (1) the lowering of the Japanese capacity utilization rate (which increased costs by about $18 per net ton) and (2) the raising of the Japanese yield ratio and the creation of a secondary quality material credit (which together reduced costs by about $15).

In terms of each cost component, the revised figures and the original January 3 estimates are as follows:

Cost of production per net finished ton for 6 integrated Japanese producers

[Assumptions: 83.2 pct of effective capacity (73.2 pct rated) and 82.7 pct yield]

	Jan. 3 estimate*	Revised estimate
Basic raw materials (per raw ton).	$84.90	$84.90
Other raw materials (per raw ton)	47.26	47.76
Labor (per raw ton)	54.85*	54.87
Total labor and materials (per raw ton)	187.01	187.53

Cost of production per net finished ton for 6 integrated Japanese producers—Continued

[Assumptions: 83.2 pct of effective capacity (73.2 pct rated) and 82.7 pct yield]

	Jan. 3 estimate*	Revised estimate
Total labor and materials per finished net ton (yield factor)	233.76	226.76
Other expenses	19.39	24.03
Depreciation	16.79	19.50
Interest	33.82	19.32
Profit		20.06
Yield credit	−5.96	−8.90
Total costs:		
Per net ton	297.80	300.76
Per metric ton	328.26	331.53

* The Jan. 3 costs assumed 85 pct effective (74.8 pct rated) capacity utilization and 80 pct yield. Accordingly, the column of January figures reflects those assumptions.

Both totals reflect costs prior to any adjustments announced for the third and fourth quarters.

III. Changes in Selected Flat Rolled Base Trigger Prices

As part of its work, the Steel Task Force conducted a comprehensive review of the structure of, and relationships between, the trigger prices for flat-rolled products. Data on costs of producing individual products were collected from a number of producers in different countries. The Japanese producers also supplied some detail on the structure of their costs. Finally, the Task Force constructed a detailed input-output model of flat-rolled production processes.

As a result of its investigation, the task force has recommended that minor adjustments be made in the trigger prices for hot rolled and galvanized coils. Larger revisions have been recommended for several tin-mill products, particularly double-reduced tin plate. All changes in base trigger prices described below include the effect of the increase in the estimated average cost of production of all products calculated by the task force.

Hot rolled sheet.—The base trigger price on hot rolled sheet is being increased 3.3 percent to reflect the more realistic assessment of finishing costs, including tempering and side trimming. An extra is being developed for theoretical billing of hot rolled sheet, and a trigger price has been set for hot rolled band, as reported in accompanying Treasury releases.

Galvanized iron sheets in coil.—The price of galvanized iron sheet in coil is being increased by 3.9 percent in order to reflect more accurately the yield loss in producing galvanized sheet from cold-rolled sheet. The original galvanized sheet coefficient submitted by MITI was found to contain an excessive yield gain for the galvanizing process.

Tin mill products.—Data received from numerous other producers, including North American firms, suggests that the markup of single-reduced tin plate over cold-rolled sheet is excessive. Therefore, the base price for single-reduced tin plate is being reduced 1.6 percent.

With respect to double-reduced tin plate, the original MITI submission assumed costs on par with single-reduced tin plate. A reasonable differential between single- and double-reduced tin plate, given cost estimates submitted by other sources, requires a 9.5 percent increase in the extra for 55# base-box weight with a 0.25 percent coating. Other extras will be adjusted accordingly.

Finally, the base trigger prices for tin-free steel and black plate are being reduced by 2.4 and 6.8 percent, respectively, as a result of cost differential data obtained from a number of sources.

The combined effect of these changes is to raise trigger prices by approximately 0.6 percent for the entire imported product mix. The specific dollar effects of these revisions are shown below:

Revisions of base trigger prices for certain products

[In dollars per net ton]

Product	Original base trigger prices	Revised base tigger prices	
		Task force [1]	Task force*
Hot rolled sheet	210	217	239
Galvanized sheet	311	323	356
Tin-free steel	375	366	403
Black plate	338	315	347
Single-reduced tin plate	433	426	470
Double-reduced tin plate [2]	431	472	520

[1] Including effect of increase in average cost of production.
[2] 55# base-box weight; 0.25# coating.
* In metric tons.

Again, these revisions reflect costs for these products prior to any exchange rate, labor, and materials adjustments announced for the third and fourth quarters of 1978.

IV. Effective Date of Task Force Revisions

The average cost derived in Part II above and the base trigger prices for the named products derived in Part III will be effective October 1. In each instance, quarterly revisions must be applied to calculate the actual base trigger prices applicable on that date to a particular product. Until October 1, applicable trigger prices for the products affected by task force revisions will be those announced in previous publications.

Trigger prices used by the Customs Service are expressed in terms of metric tons (rather than the net tons used in calculations described above). Hence, revised trigger prices will similarly be expressed in terms of metric tons for use in monitoring imports.

Dated: July 19, 1978.*

W. Michael Blumenthal,
Secretary of the Treasury.

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[4810-25]

IMPORTED STEEL MILL PRODUCTS TRIGGER PRICE MECHANISM

Fourth Quarter Revision of Trigger Prices

The Treasury Department hereby revises trigger prices for imported steel mill products for the Fourth Quarter of 1978. Each quarter, revisions are made to reflect changes in, e.g., the dollar-yen exchange rate, raw materials costs, and labor usage rates. In the current instance, the Fourth Quarter revisions build upon the revised average costs ($300.76 per net ton) as recommended by the Steel Task Force.

Adjustments for the Fourth Quarter (effective for all shipments exported on or after October 1, 1978) reflect a yen exchange rate of 215 yen per dollar (the average for May 15 through July 14). This results in an upward revision of 3.36 percent for products produced by the major integrated producers. Beyond the yen rate change, for electric furnace producers a 3.03 percent increase in wage rates is applied, resulting in an overall increase of 4.6 percent for products produced by these producers.

The adjustment methodology may be summarized as follows: for the integrated steel producers, the new cost per average ton of finished steel products (as reconstituted by the Task Force and published today) is revised to reflect the Third Quarter adjustment (announced May 5, 1978) and then to reflect the applicable yen exchange rate of 215 for the Fourth Quarter. For the integrated producers, there are no raw materials adjustments (because major raw materials supply contracts are unchanged from prior quarters) and no labor cost adjustment (because the fiscal year 1978 wage increase was reflected in the adjustments previously made for the Third Quarter).

The resulting new average base price for the products made by the integrated producers is $329.42 per net ton ($363 per metric ton). This base price will be effective October 1, 1978.

For the electric arc furnace producers, the 215 yen rate is applied for the Fourth Quarter, and a 3.03 percent wage increase is applied.[1] The resulting new base price for products made by the furnace producers is:

4th quarter base prices

	Net tons	Metric tons
Group A: Equal angles; unequal angles; channels; I-beams (S4 through S8)	$224	$247
Group B: Hot rolled strip from bar mills; merchant quality hot bars, hot-rolled round bars, squares, and round cornered squares; bar size channels	251	277
Group C: Concrete reinforcing bars, plain and deformed	222	245

A. Integrated Producers

The fourth quarter adjustment is interrelated with the basic revision in average costs undertaken by the Department's Steel Task Force, which has reviewed the trigger costs announced January 3, 1978. The review has established a new original base trigger cost of $300.76 per net ton of finished product (formerly $297.80). This base change, plus the task force's restructuring of cost components, affect the quarterly revision calculations.

Recalculation of third quarter revision. Using the task force's revised base of $300.76 per net ton of finished product, third quarter revisions were recalculated before applying fourth quarter revisions. *This recalculation is done purely for purposes of facilitating the fourth quarter revision and is not meant to change applicable trigger prices for July 1 to September 30, which remain as published in the Treasury release of May 5, 1978.*

Thus, the raw material, labor costs, and exchange rate changes previously announced on May 5 for the third quarter were applied, resulting in an increase to $318.73. Although the raw material, labor, and exchange rate changes were precisely those announced on May 5, their dollar effect is now greater because of the task force's revisions in the cost structure. Under the new structure, a greater proportion of Japanese production costs are yen-denominated, and hence the yen exchange rate has a greater overall effect. Were they actually applied, increase for the third quarter would be 5.97 percent.

Calculation of fourth quarter revisions. For the integrated producers, a new yen exchange rate of 215 is applied for the fourth quarter, building on the recalculated third quarter base ($318.73). For this group of producers, no further significant changes in other input costs has occurred. Hence, the fourth quarter base is $329.42/NT, or 3.36 percent above revised third quarter costs.

Table I below shows *revised* costs per ton of finished product (as per task force revisions) and the appropriate increase to reflect the fourth quarter of 1978. These are expressed in metric tons, consistent with the prices published by the Customs Service, and a conversion to net tons is shown for comparative purposes.

TABLE I.—*Revised estimates of Japanese costs of production: Integrated producers*

[U.S. dollars per metric ton of finished products]

	Jan. 9, 1978 [1]	Third quarter *	Fourth quarter adjustment
Basic raw materials	$113.17	$116.20	$116.20
Other raw materials	63.66	67.60	71.06
Labor	73.14	80.86	85.02
Other expenses	26.48	28.12	29.56
Depreciation	21.49	22.82	23.99
Interest	21.30	22.62	23.78
Profit	22.11	23.42	24.14
Yield credit	−9.81	−10.31	−10.57
Total dollars per metric ton	331.54	351.33	363.12
Total dollars per net ton	300.76	318.73	329.42

[1] Revised average cost in metric tons.

* See the proviso on the previous page concerning the limited purpose for which third quarter numbers are recalculated.

NOTE.—This revised fourth quarter base price of $363.12 per metric ton will be used to calculate base prices for the fourth quarter for each product produced by the integrated producers.

B. Electric Furnace Producers

Tables II-A, II-B, and II-C show original (March 27 publication) revised third quarter and fourth quarter costs for products made by electric furnace producers, Groups A, B, and C respectively. Profits are now being calculated at a standard 8 percent on the total of raw material, labor, and other costs for each respective group. Because of this revision in profit calculations, the third quarter costs shown are slightly above those published May 5.*

Recently, electric furnace labor contracts have been renegotiated in Japan, increasing labor costs 3.03 percent per hour. Further, the yen has appreciated against the dollar from 226 (used for the third quarter calculations) to 215 (to be used for the fourth quarter). Thus, as shown in Tables II-A, B, and C, Fourth quarter costs are above third quarter costs by 4.64 percent in Group A, 4.67 percent in Group B, and 4.53 percent in Group C.

TABLE II-A.—*Revised estimates of Japanese electric furnace production costs: Group A products* [1]

[U.S. dollars per metric ton of finished product]

	Mar. 27 release	Third quarter	Fourth quarter
Basic raw material	$115.87	$140.43	$146.61
Other raw material	31.32	32.28	33.10
Labor	24.52	26.03	28.17
Other expenses	10.06	10.68	11.23
Depreciation	5.47	5.81	6.11
Interest	6.14	6.52	6.86
Profit	15.32	16.75	17.52
Scrap credit	−1.94	−2.46	−2.59
Total per metric ton	206.76	236.04	247.01
Total per net ton	187.62	214.14	224.09

[1] Group A products are: Equal angles; unequal angles; channels; I-beams (54 through 58).

TABLE II-B.—*Revised estimates of Japanese electric furnace production costs: Group B products* [2]

[U.S. dollars per metric ton of finished product]

	Mar. 27 release	Third quarter	Fourth quarter
Basic raw material	$122.59	$150.97	$157.62
Other raw material	37.00	38.13	39.10
Labor	27.94	29.65	32.10
Other expenses	12.28	13.04	13.71
Depreciation	6.96	7.39	7.77
Interest	8.78	9.32	9.80
Profit	17.07	18.54	19.40
Scrap credit	−2.14	−2.78	−2.92
Total per metric ton	230.48	264.23	276.56
Total per net ton	209.09	239.71	250.90

[2] Group B products are: Hot rolled strip from bar mills; merchant quality hot bars, hot-rolled round bars, squares, and round cornered squares; bar size channels.

TABLE II-C.—*Revised estimates of Japanese electric furnace production costs: Group C products* [3]

[U.S. dollars per metric ton of finished product]

	Mar. 27 release	Third quarter	Fourth quarter
Basic raw material	$114.51	$139.13	$145.28
Other raw material	33.82	34.85	35.74
Labor	19.55	20.76	22.46
Other expenses	12.68	13.47	14.15
Depreciation	5.60	5.95	6.25
Interest	5.63	5.98	6.28
Profit	15.18	16.66	17.41
Scrap credit	−2.00	−2.44	−2.56
Total per metric ton	204.97	234.36	245.03
Total per net ton	186.00	212.61	222.29

[3] Group C products are: Concrete reinforcing bars, plain and deformed.

As noted, no change has been made in the basic assumptions upon which electric furnace costs were originally calculated (see May 5 release). The only methodological change is in the application of the 8 percent profit as described above. However, a further

[1] In addition, a minor adjustment (amounting to $0.50) is made to correct an error discovered in the Third Quarter revisions.

*Again, the third quarter recalculation accomplished here are done solely to facilitate the calculation of fourth quarter revisions. Applicable trigger prices during July 1 to September 30 remain as published May 5.

revision in steel furnace costs, following the approach developed by the task force, can be anticipated.

All product categories whose costs are related to the electric furnace average costs will have percentile trigger price increases matching those of the respective applicable electric furnace group.

Dated: July 19, 1978.

W. MICHAEL BLUMENTHAL,
Secretary of the Treasury.

[FR Doc. 78-20610 Filed 7-20-78; 3:31 pm]

[4810-25]

IMPORTED STEEL MILL PRODUCTS

New and Adjusted Trigger Base Prices and "Extras"

I am hereby announcing (1) new trigger base prices and "extras" for products not previously covered by the trigger price mechanism and (2) adjustments to, and additional "extras" for products for which trigger prices have been previously announced. Attachment 1 lists the specific products involved and describes the action being taken. These trigger prices will be used by the Treasury Department in monitoring imports of these products under the trigger price mechanism. Accordingly, a number of pages in the Steel Trigger Price Handbook are being reissued to reflect these actions.

Description of the trigger price mechanism may be found in the "Background" to the final rulemaking which amended regulations to require the filing of a Special Summary Steel Invoice (SSSI) with all entries of imported steel mill products (43 FR 6065).

These base prices, and extras, and adjustments are based upon information made available to the Treasury Department by the Japanese Ministry of International Trade and Industry (MITI), as well as other information available to the Department.

All the trigger prices being announced here will be used by the Customs Service to collect information at the time of entry on all shipments of the products covered which are exported after the date of publication of this notice. However, the following rules will be applied to entries of these products covered by contracts with fixed price terms concluded before the publication date of this notice:

1. Contracts with fixed price terms between unrelated parties: If the importer documents at or before the time of entry that the shipment is being imported under such a contract with an unrelated party, the entry will not trigger an investigation even if the sales price is below the trigger price, provided that entry is made on or before August 31, 1978. However, failure to initiate an investigation will not diminish the right of affected interested persons to file a complaint with respect to such imports under the established procedures for antidumping cases.

2. Contracts between related parties: If the importer documents at the time of entry that the shipment is being imported under a contract with a related party and the shipment is to be resold to an unrelated purchaser in the United States under a contract with fixed price terms concluded before the publication date of this notice, the entry will not trigger an investigation even if the sales price is below the trigger price, provided that delivery is made on or before August 31, 1978.

While these sales will not as a rule trigger a self-initiated antidumping investigation, information concerning such sales will be kept as a part of the information in the monitoring system and will be available in the event that antidumping petition is filed with respect to such products sold by that producer or the Treasury Department decided to self-initiate an antidumping investigation of such products based upon subsequent sales.

Treasury intends to publish more complete trigger prices and appropriate extras for the following wire and wire products classified as steel mill products by the American Iron and Steel Institute: bright basic wire, (TSUSA Product Category Nos. 609.4010 and 609.4125), galvanized wire (TSUSA Nos. 609.4040 and 609.4165), and barbed wire (TSUSA No. 642.0200). We also intend to publish trigger prices and appropriate extras for bright high carbon wire and oil tempered high carbon wire (TSUSA Nos. 609.4055 and 609.4315), galvanized high carbon wire (TSUSA Nos. 609.4065 and 609.4365) and galvanized wire fencing (TSUSA Nos. 642.3510, 642.3530, 642.3560 and 642.3570). Complete trigger price coverage already exists for baler wire (TSUSA No. 609.4120).

The Treasury Department has been asked that welded wire fabric (TSUSA Nos. 642.8010 and 642.8020) be included in the trigger price mechanism. This product is not presently covered because it is not classified as a steel mill product by the American Iron and Steel Institute. However, as indicated in the Solomon Report, the Customs Service has been alerted to the risk that fabricated steel products, such as welded wire fabric, may substitute for the more basic steel mill products in U.S. imports. Should sales of such products provide significant opportunities for evasion of the intended relief of the trigger price mechanism, Treasury will give prompt consideration to any appropriate action, including any antidumping petition which may be filed.

Stainless Welded Pipe and Tubing (AISI Category 14) is being removed from the Trigger Price System. The International Trade Commission recently found that imports of these products at less than fair value from Japan were not causing or threatening to cause injury to U.S. industry.

Dated: July 19, 1978.

W. MICHAEL BLUMENTHAL,
Secretary of the Treasury.

TABLE OF PRODUCT ADDITIONS AND ADJUSTMENTS 7-19-78

AISI Category & Product Description	Type of Action	Description of Action
2 Hot Rolled Alloy Rod	Coverage of additional grades	Extended Coverage to 55 additional grades including grades in A.I.S.I. series, 1300, 4000, 4800, 5000, 6000, 8000, and 94 B 00. Extras for Thermal Treatment, Aircraft Quality, Bearing Quality and Vacuum Degassing added. Boron extra added for all grades. For grade A.I.S.I. 9254 Grade extras added for 5 additional grades and Boron extra added. Size extras added extending size range, thermal treatment and vacuum degassing extras added. For Grade 52100: Grade extras added for two additional grades; size extras added extending size range, thermal treatment extras added.
3 Structural Shapes	Additional Coverage	Size extras listed for Junior Beams for size 6", 8", 10", and 12".
5 Plates	Correction of A Previous Listing	Extra Listing for Ultra-Sonic Testing Corrected
7 Railroad Wheels and Axles	Action Deferred	Only one Plant produces this product in Japan. Under such circumstances, production cost information was considered privileged and not available.
11 Bars Hot Rolled Alloy	Extended Coverage of Grades and Extras	Extended coverage to 64 additional grades including grades in the A.I.S.I. series, 1300, 4000, 5000, 6000, 8000, and 94 B 00. Size extras added extending range of sizes Thermal Treatment extras added, quality extras for Aircraft, Bearing, and Vacuum Degassing added. Coverage extended to Spring Quality Flats in grades 9260, and 5160. For Grade 52100 added Grade extras for two additional Grades added size extras extending Size Range, Thermal Treatment extras added.
12 Cold Finished Bars	Revised Trigger Prices and Extended Grade Coverage	Revised Trigger Price of Grades A.I.S.I. 1018, 1215, and 12 L 14. Extended coverage to Grades 1008 through 1029, 1212 through 1215, and added 12 L 15.
14 Electric Resistance Welded Structural Tubing Produced to Specification ASTM A-500	New Product Coverage plus extras	Electric Resistance welded structural tubing produced to A.S.T.M. Specification A-500 included in Trigger Price Program. Extras listed for Diameter and Wall Thickness, Pickling, Cold Strip, and R.O.P.S.
14 Electric Resistance Welded Standard Pipe A.S.T.M. A 120 (A-5)	New Product Coverage plus extras	Electric Resistance Welded Standard Pipe produced to ASTM - Spec A-120 (A-53) included in Trigger Price Program. Extras for Size, Galvanizing and Threading and Coupling Listed.

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TABLE OF PRODUCT ADDITIONS AND ADJUSTMENTS (continued)

AISI Category & Product Description	Type of Action	Description of Action
14 Electric Resistance Welded Steel Pressure Tubing	Coverage of Additional Extras	Extras added for cut to Length Sizes, Quantity, Extra Testing, and Packaging.
14 Electric Resistance Welded Stainless Pipe and Tubing	Deleted Trigger Price Coverage	Welded Stainless Pipe to ASTM A-312 Grade 304 and Welded Stainless Steel Round Ornamental Tube A.I.S.I. Grade 304 removed from Trigger Price coverage. It may also be noted that the International Trade Commission ruled on July 17, 1978 that domestic producers were not injured by imports of this product at less than fair value.
15 Seamless Oil Well Casting	Coverage of Additional Extras	Grade extras above Base of H, J, and K; added for Grades N, C, and L; and for Grades C-95 and P for Seamless Oil Well Casing not Threaded. Sizes up to 7" in diameter and sizes over 7" in diameter are covered. Grade extras as above added for Threaded Casing and Threaded and Coupled Extras added.
15 Seamless Carbon Steel Pressure Tubing	Additional Extras	Extra for Random Length Deductions added.
16 Cold Finished Wire Rod	Additional Coverage	Grade coverage for 56 Grades covering AISI Series 1300, 4000, 4800, 5000, 6000, 8000, and 94 B 00. Size extras, Thermal Treatment extras, Aircraft Quality extra, Bearing Quality extra, Vacuum Degassed extra, and Cold Finished extra by sizes for all grades. Grade AISI 9254 High Carbon SI-MN-CR Steel plus five other grades covered. Grade extras, Size extras, Thermal Treatment extras, Vacuum Degassed extra, and Cold Finish extra by sizes for all grades.
25 Hot Rolled Band	New Coverage	Hot Rolled Band Trigger Price Added.
26 Cold Rolled, Full Hard Coiled Sheet, Feed Stock for Continuous Hot Dip Galvanizing	Trigger Price Deleted	Trigger Price for this product is deleted. The Japanese state they do not export this product to the United States, and have exported it only to certain South-East Asian countries where long term supply arrangements are in effect. The product is a semi-finished product, being unannealed and manufactured with fewer processes and less strict requirements than ordinary cold rolled sheets. Since this product is not widely produced or imported at present, the amount of trade in this product does not warrant establishing a trigger price.
26 Cold Rolled Sheet Motor Laminations	New Coverage and added width and gauge extras	Cold Rolled Sheet for Motor Laminations covered as an extra under cold rolled sheets. Gauge and width extras are included.
27 Corrugated Galvanized Sheet	Additional Extra for Corrugating Added	An extra for this product has been added

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SIZE EXTRAS JUNIOR BEAMS

Series	lbs/ft	Extra $/MT
6"	4.5#	$4
8"	6.5#	40
10"	9#	38
12"	10.8#	35
12"	11.8#	35

5-10

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3 - OTHER EXTRAS

Description		$/MT
Killed		21
Fine Grain		
Charpy		
+40°F & up		
L		16
T		21
L & T		26
under +40°F		
L		21
T		26
L & T		32
Normalize		74
Quench & Temper		127
Normalize & Temper		127
U.S.T.		
A578 L2,	(over 1/2")	16
A435, A578 L1 (9" or higher grid)	(over 3/4")	42
(under 9" grid or 100% scanning)	(over 3/4")	26
Checker		21
Pickled & Oiled		
Up to 0.172" Thickness		21
Over 0.172" Thickness		14
Others		To be specified on SSSI

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Cold Finished Carbon Steel Round Bar AISI 1018, 19.05mm(3/4")
Covers Grades AISI 1008 thru 1029

Category AISI 12

Tariff Schedule Number(s) 608.5015 & 1/2%

Base Price per Metric Ton $439

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	$30	$7	$ 9
Gulf Coast	35	5	11
Atlantic Coast	40	4	11
Great Lakes	58	4	15

Insurance 1% of base price + extras + ocean freight

Extras

Size, See Table p. 12-4

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Cold Finished Round Steel Bar (Free Cutting Steel-Sulfur)
AISI 1215, 19.05mm(3/4")
Covers Grades AISI 1212 thru 1215

Category AISI 12

Tariff Schedule Number(s) 608.5005 & 1/2%

Base Price per Metric Ton $497

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	$30	$ 7	$10
Gulf Coast	35	5	13
Atlantic Coast	40	4	13
Great Lakes	58	4	16

Insurance 1% of base price + extras + ocean freight

Extras

Size, See Table p. 12-4

Cold Finished Round Steel Bar (Free Cutting Steel-Lead)
AISI 12L14, 19.05mm (3/4")
Covers Grade AISI 12L15

Category AISI 12

Tariff Schedule Number(s) 608.5005 & 1/2%

Base Price per Metric Ton $519

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	$30	$7	$10
Gulf Coast	35	5	13
Atlantic Coast	40	4	13
Great Lakes	58	4	17

Insurance 1% of base price + extras + ocean freight

Extras

Size, See Table p. 12-4

ELECTRIC RESISTANCE WELDED CARBON STEEL PRESSURE TUBING,
FOR USE IN BOILERS, HEAT EXCHANGERS, CONDENSERS, ETC.

Category AISI 14

Tariff Schedule Number(s) 610.32 0.3¢ per Lb.

Base Price per Metric Ton $461

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	See Freight Table	$7	$ 9
Gulf Coast		5	11
Atlantic Coast		4	12
Great Lakes		4	15

Insurance 1% of base price + extras + ocean freight

Extras

A. Outside Diameter and Wall Thickness

B. Other Extras
(1) Specifications
(2) Steel Requirements
(3) Special Dimensional Tolerance
(4) Cut Length Extra
(5) Quantity Extra
(6) Testing Extra
(7) Packaging Extra

Note: All prices on page 14-3 are to be increased by 5 1/2% for tubing exported on or after July 1, 1978.

ELECTRIC RESISTANCE WELD PRESSURE TUBING EXTRAS
(Continued)

Cut Length Extra

Cut Lengths (Feet)	Extra (per cent)
Under 10	To be announced
10 to 36	Base
36 to 40	0 to 5
40 to 44	7.5
44 to 48	10
48 and over	To be announced

Quantity Extra

Weight (pounds)	Extra (per cent)
10,000 or more	Base
5,000 to 9,999	20
Under 5,000	To be announced

Testing Extra

Non-Destructive or Hydrostatic Testing to ASTM A-450	Base
Non-Destructive and Hydrostatic Testing to ASTM A-450	3%

Packaging Extra

Weight per bundle under 1 metric ton	To be announced
1 thru 5 metric ton	Base
Over 5 metric ton	To be announced

ELECTRIC RESISTANCE WELDED STRUCTURAL TUBING TO ASTM A 500 GRADES A, B & C

Category AISI 14

Tariff Schedule Number(s) 610.39 .1¢ per lb.
610.49 10.5%

Base Price per Metric Ton $343

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	See Freight Table	$7	$ 6
Gulf Coast		5	8
Atlantic Coast		4	8
Great Lakes		4	11

Insurance 1% of base price + extras + ocean freight

Extras

A. Outside Diameter and Wall Thickness

B. Other Extras

(1) Pickling
(2) Cold Strip Extra
(3) ROPS Extra

Base Price Including Outside Diameter (OD) / Wall Thickness (WT) Extras ($/MT)
Electric Resistance Welded Structural Tubing to ASTM A 500 Grade A B & C

Effective date _____

AISI 14 TSUSA 610.39 610.49

Square WT/OT	.047	.056	.063	.072	.078	.083	.095	.109	.120	.134	.156	.180	.250	.313	.375	.500
½	384	384	387	387												
5/8	387	387	365	365												
3/4	375	375	353	353												
7/8	375	375	353	353												
1	375	375	353	353	353	353	353	353	353							
1¼	375	375	353	353	353	353	353	353	353							
1½	375	375	353	353	353	353	353	353	353							
1 3/4			353	353	353	353	353	353	353							
2			353	353	353	353	353	353	353	353	353	353	353			
2½						343	343	343	343	343	343	343	343			
3							343	343	343	343	343	343	343			
3½							343	343	343	343	343	343	343			
4							343	343	343	343	343	343	343	356	356	
5											343	343	343	356	356	
6											343	343	343	356	356	365
7											343	343	343	356	356	365
8												343	343	356	356	365
10													343	356	356	365
12													343	365	365	375

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Base Price Including Outside Diameter (O.D.)/ Wall Thickness (W.T.) Extras ($/MT)
Electric Resistance Welded structural Tubing to ASTM A 500 Grade A B & C

AISI 14 TSUSA 610.39 610.49

Effective date_____

Rectangular WT/OD	.047	.056	.063	.072	.078	.083	.095	.109	.120 & .125	.134	.156	.180 & .1875	.250	.315	.137	.500
1 x ½	375	375	353	353												
1½ x 3/4	375	375	353	353	353	353	353									
1½ x 1	375	375	353	353	353	353	353	353	353							
2 x 1	375	375	353	353	353	353	353	353	353							
2 x 1½	375	375	353	353	353	353	353	343	353							
2½ x 1½			353	353	353	353	353	343	353							
3 x 1			353	353	353	353	353	343	353							
3 x 1½			343	343	343	343	343	343	343							
3 x 2						343	343	343	343	343	343	343	343			
4 x 2							343	343	343	343	343	343	343			
4 x 3							343	343	343	343	343	343	343			
5 x 2							343	343	343	343	343	343	343	356	356	
5 x 3							343	343	343	343	343	343	343			
6 x 2							343	343	343	343	343	343	343	356	356	
6 x 3											343	343	343	356	356	
6 x 4											343	343	343	356	356	
7 x 4											343	343	343	356	356	375
7 x 5											343	343	343	356	356	375
8 x 4											343	343	343	356	356	375
8 x 6											343	343	343	356	356	375
9 x 7											343	343	343	356	356	375
10 x 6											343	343	353	365	365	375
12 x 8												343	353	365	365	375
14 x 6												343	353	365	365	375
16 x 8																

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OTHER EXTRAS

ELECTRIC RESISTANCE WELDED STRUCTURAL TUBING
TO ASTM A 500 GRADE A, B, & C

Pickling Extra:	$13 per Metric Ton Irrespective of OD/WT
Cold Strip Extra:	$44 per Metric Ton Irrespective of OD/WT
ROPS Extra:	$58 per Metric Ton, Irrespective of OD/WT

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ELECTRIC RESISTANCE WELDED STANDARD PIPE
ASTM A 120 (A-53)

Category AISI 14

Tariff Schedule Number(s) 610.32 · 0.3¢ per Lb.

Base Price per Metric Ton . $317

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	See Freight Rate	$ 7	$ 6
Gulf Coast		5	8
Atlantic Coast		4	8
Great Lakes		4	10

Insurance 1% of Base Price + Extras + Ocean Freight

Extras

A. Outside Diameter and Wall Thickness

B. Galvanizing

C. Threading and Coupling

Base Price Including Outside Diameter (OD)/Wall Thickness (WT)
Threaded and Coupled Extras ($/MT)
Electric Resistance Welded Pipe to ASTM A 120

	Nom (inches)					OD (inches)				
	½	3/4	1	1¼	1½	2 3/8	2 7/8	3½	4	4½
Blk. P.E.	342	332	328	323	323	317	317	317	323	323
Blk. T.& C.	383	371	354	352	352	345	345	345	357	357
Galv., P.E.	440	425	415	408	408	401	401	401	408	408
Galv. T.& C.	481	462	443	437	437	430	430	430	443	443

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COLD FINISHED SPHEROIDIZED ANNEALED
MO ALLOY STEEL WIRE ROD
AISI 4037, 5.5mm to 13mm

Category AISI 2

Tariff Schedule Number(s) 608.7880 0.375¢ per lb. + 4% + additional duties (see Headnote 4, TSUS)

Base Price per Metric Ton $492

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	$58	$7	$10
Gulf Coast	69	5	13
Atlantic Coast	72	4	14
Great Lakes	79	4	17

Insurance 1% of base price + extras + ocean freight

Extras

(1) Grade Extras
(2) Size Extras
(3) Thermal Treatment Extras
(4) Aircraft Quality Extra
(5) Bearing Quality Extra
(6) Vacuum Degassed Extra
(7) Cold Finished Extra

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COLD FINISHED SPHEROIDIZED ANNEALED
MO ALLOY STEEL WIRE ROD
(CONTINUED)

1. Grade Extra - see grade extras table, pp. 2-12, 2-13

2. Size Extras

Size	Extra ($/MT)
over 13 mm but less than 19mm	Minus 26
1 inch and over	Minus 37

3. Thermal Treatment Extras

	Extra ($/MT)
Regular Anneal	42
Spheroidized	63

4. Aircraft Quality Extra $26/MT

5. Bearing Quality Extra $26/MT

6. Vacuum Degassed Extra $12/MT
(This extra is not charged when requirements are subject to extra aircraft and/or bearing quality)

7. Cold Finished Extra

Size (Inches)	Extra ($/MT)
0.812-0.999	$137
0.688-0.811	137
0.625-0.687	148
0.562-0.624	148
0.500-0.561	148
0.438-0.499	179
0.375-0.437	179
0.312-0.374	179
0.250-0.311	222
0.188-0.249	253
0.125-0.187	295
0.094-0.124	338
0.062-0.093	390

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COLD FINISHED, SPHEROIDIZED ANNEALED,
SI-MN-CR HIGH CARBON STEEL WIRE ROD
AISI 9254, 5.5mm to 13mm

Category AISI 2

Tariff Schedule Number(s) 608.7880 0.375¢ per lb. + 4% + additional duties (see Headnote 4, TSUS)

Base Price per Metric Ton $471

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	$58	$7	$10
Gulf Coast	69	5	13
Atlantic Coast	72	4	13
Great Lakes	79	4	16

Insurance 1% of base price + extras + ocean freight

Extras:

(1) Grade Extras
(2) Size Extras
(3) Thermal Treatment Extras
(4) Vacuum Degassed Extra
(5) Cold Finish Extra

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SPEROIDIZED ANNEALED, SI-MN-CR HIGH CARBON STEEL WIRE ROD
(CONTINUED)

1. Grade Extras (per MT)

AISI Number	Extra ($/MT)
9260	Minus 19
5150, 5155, 5160	Minus 53
6150	10

Boron Extra (if specified) $21/MT

2. Size Extras

Size	Extra ($/MT)
Over 13mm but less than 19mm	Minus 26
19mm and over	Minus 37

3. Thermal Treatment Extras

	Extra $/MT
Regular Anneal	42
Spheroidized	63

4. Vacuum Degassed Extra $12/MT

5. Cold Finish Extra

Size (Inches)	Extra ($/MT)
0.812-0.999	$137
0.688-0.811	137
0.625-0.687	148
0.562-0.624	148
0.500-0.561	148
0.438-0.499	179
0.375-0.437	179
0.312-0.374	179
0.250-0.311	222
0.188-0.249	253
0.125-0.187	295
0.094-0.124	338
0.062-0.093	390

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HOT ROLLED STEEL BAND - ASTM A569
0.121" x 48" x 96"

Category AISI 25

Tariff Schedule Number(s) 608.8440 - 7 1/2%

Base Price per Metric Ton $238

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	$23	$ 7	$ 5
Gulf Coast	23	5	7
Atlantic Coast	27	4	7
Great Lakes	35	4	9

Insurance 1% of base price + extras + ocean freight

Extras

1. Width Thickness Extra
2. Specification Extra
3. Other Extras

Note:

TP on this product based on actual weight -- theoretical weight does not apply. Material not edge trimmed. Extras for hot rolled sheets will apply until revised extras are available.

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COLD ROLLED SHEETS - ASTM A366 1.0mm x 48" x C

Category AISI 26

Tariff Schedule Number(s) 608.8744 8%

Base Price per Metric Ton $313

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	$23	$7	$ 7
Gulf Coast	23	5	8
Atlantic Coast	27	4	9
Great Laeks	35	4	11

Insurance 1% of base price + extras + ocean freight

Extras

(1) Width & Thickness
(2) Cut Length
(3) Coil Weight
(4) Finish
(5) Surface Treatment
(6) Quality
(7) Chemistry
(8) Quantity Extra
(9) Restricted Tolerance
(10) Theoretical Minimum Weighting
(11) Motor Laminations

Cold Rolled, Full Hard Coiled Sheet Feedstock for Continuous Hot Dip Galvanizing.

No Trigger Price

This is a semi-finished product half-way between hot rolled pickled and cold rolled.

COLD ROLLED SHEETS

11. Extra for cold rolled sheet motor laminations as compared with cold rolled sheet . $15

Dimension extras for motor laminations are to be applied with following table:

Width thickness:

Normal Thickness (Inches)	Width (Inches) 24" to 36" under	36" thru 48"
0.063" thru 0.035"	$17.10/MT	$ 6.40/MT
0.034" thru 0.028"	21.37	10.69
0.027" thru 0.022"	36.33	25.65
0.021" thru 0.014"	44.89	34.20

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(5) QUALITY

COMMERCIAL	BASE
LOCK FORMING	NONE
DRAWING	10
STRACTUAL	26
GRADE A	3
GRADE B and C	5
GRADE D and E	10

(6) QUANTITY

20ST	BASE
15ST 20ST	1
10ST 15ST	3

(7) THEORETICAL MINIMUM WEIGHING ———— 15

(8) OTHERS ———— SUBJECT TO NEGOTIATION

(9) CORRUGATION #18

3. REMARKS

Above extra price shall be changed according to the fluctuation of the zinc price.

[FR Doc. 78-20612 Filed 7-20-78; 3:31 pm]

[4810-25]

ADJUSTMENT OF GREAT LAKES FREIGHT RATES UNDER THE STEEL TRIGGER PRICE SYSTEM

The freight component of trigger prices on steel mill products imported through Great Lakes ports is adjusted as follows:

	Current rate [1]	Adjusted rate [1]
Steel plates	$40	$31
Hot rolled sheets	35	31
Cold rolled sheets	35	31
Wire rod	45	43

[1] Great Lakes trigger price freight rate per metric ton.

These adjustments are based on public hearings and written comments received by the Treasury Department, the findings and conclusions of which are published herewith. The adjustments for plates, hot rolled sheets, and cold rolled sheets—because they are within the range announced in the hearing notice—will take effect immediately. The adjustment for wire rod—not previously proposed—will take effect for entries made on or after September 1, 1978.

Dated: July 19, 1978.

W. MICHAEL BLUMENTHAL,
Secretary of the Treasury.

FINDINGS AND CONCLUSIONS OF THE DEPARTMENT OF THE TREASURY WITH REGARD TO THE GREAT LAKES FREIGHT RATES UNDER THE STEEL TRIGGER PRICE MECHANISM

I. BACKGROUND

Pursuant to a notice of May 25, 1978, 43 FR 23669 (May 31, 1978), public comment was requested and a public hearing held to consider allegations made by Great Lakes port and shipping interests and certain steel importers, that the freight component of the Treasury Department's trigger prices for steel mill products imported through the Great Lakes ports was too high. More particularly, it was claimed that:

1. Both the absolute and relative current levels of freight rates for trigger prices applicable to the Lakes are too high, leading to the diversion of steel imports from the lakes to west, gulf, and east coast ports.

2. Serious economic disclocations for the Great Lakes region would follow from such a diversion, particularly for Lake ports longshoremen, stevedores, warehousemen, and terminal operators, whose work depends on imported steel.

3. Other secondary effects would occur, including the possible diversion of backhaul cargo, such as grain, to other coasts, and substantial revenue losses by the St. Lawrence Seaway Development Corporation.

On June 12, 1978, the Treasury Department held hearings to receive evidence and views concerning (1) whether either the absolute or relative level of Great Lakes freight rates was incorrect, and (2) whether a diversion of steel trade away from the Great Lakes resulted from the relative levels of trigger prices at the various U.S. ports of entry.

Forty-one parties filed written comments and 13 persons spoke at the public hearing. The written submissions, together with a transcript of the hearing, are on file in the Treasury Department Library.

At the hearing, parties favoring the adjustment of freight rates presented information in support of the allegations summarized above. Those who contested the need for any change in the current rates argued that:

(1) The trigger price mechanism is designed to reduce imports of steel mill products at unfairly low prices by facilitating enforcement of the Antidumping Act. Therefore, secondary effects from reduced imports, such as economic dislocations, are an irrelevant consideration.

(2) It is premature to consider adjusting one small component of trigger prices when more important problems have been identified and when, in any event, it is too early to be able to tell whether freight rate adjustments are warranted.

(3) The current freight rates for the Great Lakes are in line with current commercial practice, particularly in view of the rising freight rates now being quoted for the coming months.

After the hearing, the Department received further written comments. These and the earlier comments were studied, and, together with the views expressed at the hearing and other information available to the Treasury, formed the basis for the findings and conclusions set forth below.

II. FINDINGS

1. Calculation of original freight rates

Under the Treasury Department's trigger price mechanism (TPM), trigger prices reflect the Japanese cost of producing steel mill products plus the cost of transporting such products from Japan to the west coast, gulf coast, east coast, and Great Lakes. In December 1977, the Japanese Ministry of International Trade and Industry submitted information purporting to show the average freight tariff from Japanese ports of exportation to the principal U.S. ports of entry for various steel mill products. Based on the Japanese information, the Treasury Department published trigger price freight rates by product for the four major U.S. coastal zones. The trigger price freight rates for steel plate and hot and cold rolled sheet (which together account for about 80 percent of Great Lakes steel tonnage) are shown below, together with the resulting rate differential between ports:

TABLE I.—*Trigger price freight rates*

[per metric ton]

	Gulf ports	East Coast ports	Great Lakes ports	Differential [1]
Plate	$25	$31	$40	+$15
Hot rolled sheet	23	27	35	+12
Cold rolled sheet	23	27	35	+12

[1] Great Lakes over Gulf.

In an effort to reflect actual costs that would be incurred in shipping steel to this country, the TPM freight rates were based on rates that were to be effective from January to March 1978, the period immediately following publication of the first series of trigger prices. Because the St. Lawrence Seaway is not open during those months, the rates for the Great Lakes reflected a different period of time than did those for the other coastal zones. [1]

2. Relevance of effects of misalinement

Proponents of the proposed freight adjustments have asserted that the use of conference rates to establish freight rates to the lakes has led to the diversion of steel imports away from Great Lakes ports. They claim imports have tended to (and will tend to) shift to gulf ports (qualifying for the lower gulf trigger price), and then be transported by barge up the Mississippi River to destination previously served through the Great Lakes ports at a lower delivered price than if direct shipment were now made through those lake ports. This diversion, actual and potential, is the core of the claim that an adjustment to freight rates is needed.

Although several parties have argued that the Treasury should not concern itself with trade diversions, Treasury did not intend, in establishing the TPM, to divert shipments intended for the Great Lakes area from lakes ports to other coastal zones.

While it may be impossible for the TPM to achieve total equity for all af-

[1] Because the problem is confined to the Great Lakes freight rates, adjustments are being made for only that coastal zone. Those adjustments do not, in turn, appear to create misalinements between Great Lakes ports and eastern ports. See finding No. 10, below.

fected interests, it should not disproportionately disadvantage any particular coastal zone if that can be avoided consistent with the logic of the TPM. Accordingly, the Department has seen fit to consider whether current TPM freight rates for one coastal zone cause a misalinement of rates among zones—with attendant unintended diversions of trade.

Evidence suggests that European shippers in particular may have diverted steel trade from the lake to the gulf (at the lower gulf trigger price). To the extent diversion has resulted merely from the fact that Great Lakes freight rates are based on Japanese shipping costs, which are higher to the Great Lakes than elsewhere, such diversions are inherent in the TPM system and need not be adjusted merely because European freight rates to the Great Lakes are lower.

3. The usefulness of Census data on freight costs for imported products

Evidence was received of freight costs for imported steel mill products as compiled and published by the U.S. Census Bureau. This information, derived from Customs entry forms for imported steel, is not directly comparable with the freight rates used in the TPM for two reasons: (1) the Census data include a charge for insurance [2] whereas under the TP system insurance is separately calculated; and (2) the Census data represents entries made in September/November 1977, whereas the TP freight rates, as noted, were based on tariff rates prevailing from January/March 1978.

The Department finds that the Census data are useful indicators of the differentials in freight rates between U.S. coastal zones and may be used generally to verify TPM freight rates. However, the Department declines at present to substitute the Census figures for Japanese-provided data on Japanese freight rates to various U.S. ports. Substitution of purely historical Census data may be inappropriate in fast-changing freight rate markets or where the mix of products shipped differs from the historical pattern. If further study demonstrates that Census freight data more accurately reflect the current cost of transporting Japanese steel to the United States, the Department may consider adopting that method. At present, however, the Census data will be used for the limited purpose of determining historical differentials in rates between coastal zones. Those differentials tend to remain the same over time, whereas absolute freight rates vary a great deal.

4. Census Bureau tabulations of freight differentials between coastal zones

Census tabulations of actual freight rates (including insurance) for the period September-November 1977 show the following differential between gulf ports and Great Lakes ports.

TABLE II:—*Census freight rates per metric ton**

[Weighted Average, September/November 1977]

	Gulf ports	Great Lakes ports	Differential [1]
Plates	$26.11	$31.64	+$5.53
Hot rolled sheets	25.24	33.14	+7.90
Cold rolled sheets	27.41	33.63	+6.22

* Includes insurance. The differential between the Gulf Ports rate and the Great Lakes rate does not change materially if the insurance component is removed from each.

[1] Lakes over Gulf.

Thus, the evidence indicates that the TP differential between the gulf and the Great Lakes (table I) is substantially greater than the corresponding differential shown in census data (table II). This lends support to the view that trigger prices for the Great Lakes may be artificially inflated and ought to be reduced.

5. The barge-up alternative

The evidence submitted also indicates that, in view of the above TP differentials, it may be possible for steel to enter at New Orleans at the gulf trigger price and be transported up the Mississippi River by barge to Great Lakes destinations for a lower delivered price than would be possible by shipment to the same points via the St. Lawrence Seaway, where Great Lakes trigger prices will apply. Evidence of actual barge rates varied considerably; moveover, handling, trucking, or railway, and interest costs must be added to barge costs to determine the actual cost of delivery to Great Lakes region destinations. In any event, the TP freight rates appear to have moved northward along the Mississippi River, the "freight equalization point" (the point at which freight and related costs are equal for the alternative routes).

6. Evidence of diversion

The hearing notice requested evidence that diversion of shipments away from Great Lakes ports was actually taking place. A number of parties presented evidence of reduction of Great Lakes imports in 1978 compared with 1977, or in certain months of each of these years. Of course, mere reduction in steel imports into the Great Lakes is not sufficient evidence of diversion since the TPM was, in any event, likely to reduce steel imports.[3] For that reason, much of the evidence presented at the hearing as to the reduced levels of Great Lakes imports is unpersuasive on the issue of diversion. By contrast, otherwise unaccounted for disaproportionate reductions in Great Lake steel tonnage as compared with other coastal zones may be indicative of actual diversion.

The St. Lawrence Seaway Development Corporation submitted information showing that during May 1978 the Nation experienced a reduction of all steel product imports of 16.8 percent compared with May 1977, while imports through the St. Lawrence Seaway fell by 72.4 percent.[4] Further, the information indicated that whereas in May 1977 Great Lakes steel imports via the St. Lawrence accounted for 38.6 percent of national steel imports, the corresponding percentage in May 1978 was only 11.9 percent. These figures suggest that, distinct from steel import reductions that may be attributed to the TPM as a whole, disproportionate reductions were experienced by the Great Lakes ports.

Finally, the possibility has been suggested that exporters or related importers able to use the Mississippi River alternative are willing to absorb the inland freight cost. An internal review of customs monitoring procedures indicates that this is generally not the case. Most imported steel enters the United States with delivery terms tied to the port of entry. If the exporter does absorb U.S. inland transportation charges, the value of these charges is considered a rebate and is deducted from the invoice price before a comparison is made to the applicable trigger price. Where the entry

[2] Customs entry data shows three types of valuations: (1) the customs appraisal value for duty purposes, based on the Tariff Act of 1930; (2) the free alongside ship (f.a.s.) value or value of imports at the foreign port of exportation; and (3) the c.i.f. value (cost of goods, plus insurance and freight), or value of the import at the port of entry before unloading (excluding U.S. duty). If related parties are involved, the c.i.f. value is based on an arms'-length transaction basis. By deducting the f.a.s. value (method 2 above) from the c.i.f. value (method 3), the cost of freight and insurance is derived. That combined cost is the figure reported by the Census Bureau.

[3] The Solomon report stated that it is reasonable to assume that the TPM, through reduction in imports at prices below fair value, should enable the domestic steel industry to recapture a substantial share of the market.

[4] The St. Lawrence Seaway data did not indicate steel tonnage by product. Thus, it is possible the tonnage includes some fabricated products or steel mill products not covered by the TPM.

documents specify delivery terms other than at the port of entry, customs officers are able to monitor the inland freight costs from documents filed at importation or in appropriate cases to request additional documentation from importers. In this way, inland freight costs can be deducted from the delivered price before a comparison with the trigger price is made. The Customs Service is notifying its officials at ports of entry to be especially watchful for situations in which inland freight absorption may be practiced. The Department is prepared to investigate any specific allegations of inland freight absorption—whether at gulf ports or elsewhere.

7. Contributory causes of diversion

Evidence indicates that diversion of steel imports away from Great Lakes ports between the 1977 and 1978 shipping seasons may be due to a number of factors other than the TPM freight differentials. To some extent imports formerly shipped by water to the Great Lakes region (for example from Europe) are apparently being displaced by imports coming by truck or rail from Canadian steel mills. That is, what is claimed to be evidence of diversion away from the Great Lakes may really be evidence of the displacement of prior suppliers by alternative sources of steel using other forms of transportation. (This may reflect the ability of some Canadian mills to sell certain steel mill products below trigger prices although at not less than "fair value" within the meaning of the Antidumping Act, while European suppliers may not be able to do so.)

Second: The tolls on the St. Lawrence Seaway increased from $0.90 to $1.40 per metric ton beginning with the 1978 shipping season and are scheduled to increase to $3.50 by 1980. This adds $0.50 per ton to present-day costs of shipping to the Great Lakes via the St. Lawrence and suggests that some diversion of shipping may be the result of that increased cost. (This factor has been taken into account in the freight adjustment made on the basis of these findings.)

Third: Witnesses at the hearing argued that the St. Lawrence Seaway's unusually late opening in mid-April this year caused some shipments to be diverted to other ports. While this may have been true in April, it is believed less likely that the delayed opening cuased significant diversions in May—the month used above as evidence of diversions induced by TP freight differentials.

Finally: Witnesses cited other St. Lawrence shipping factors—for example, the seaway's inability to accommodate the largest ships—as evidence that any disproportionate diversion of shipments may not be attributable to the TPM. However, in the absence of significant evidence that steel is increasingly being shipped on larger vessels that cannot be accommodated in the St. Lawrence Seaway, those considerations have always been a part of the Great Lakes shipping market and cannot be said to have contributed to the May 1978 tonnage reduction as compared to a period as recent as May 1977.

In sum, some evidence of diversion has been presented, although the exact degree of diversion attributable to TP freight differentials is difficult to quantify. Sufficient evidence exists to warrant corrective action to avoid major dislocations. The best available measure of the extent of existing and future diversion induced by TP freight rates—and accordingly the degree of correction required—is the difference between pre-TPM actual freight costs for various coastal zones, as reflected in the census data cited above. Accordingly, this differential will be used to revise the freight component of the present trigger prices for the Great Lakes.

8. Realinement of freight rates

Based on census data, it was found above that the Great Lakes freight rates during September-November 1977 (the most recent shipping season data) exceeded the gulf coast rates by $5.53 (plate), $7.89 (hot rolled sheet), and $6.22 (cold rolled sheet).

By adding these amounts to the current gulf coast trigger price freight rates (which have been found approximately equal to census data for those ports), and then adjusting for the $0.50 toll increase on the St. Lawrence Seaway, the following corrected Great Lakes TPM freight rates are derived:

TABLE III.—*Adjustments to trigger price freight rates*

[Per metric ton]

	Trigger price Gulf freight rate	Censes freight rate differential* (Gulf-Lakes)	Increased St. Lawrence Seaway tolls	Adjusted rate	Rounded
Plate	$25	+$5.53*	+$0.50	$31.03	$31
Hot rolled sheet	23	+7.90	+.50	31.40	31
Cold rolled sheet	23	+6.22	+.50	29.72	30

*As previously noted, although the census data includes insurance, the differentials between ports are only slightly affected by inclusion or exclusion of the insurance component.

After rounding and an upward adjustment of rates by $1 for cold rolled sheet (for reasons explained in the next finding) the adjusted Great Lakes freight rates are:

Plate, $31.
Hot rolled sheet, $31.
Cold rolled sheet, $31.

9. Adjustment of cold rolled sheet freight rate.

The TPM freight rates for hot and cold rolled sheets have heretofore been equal ($35 per metric ton for the Great Lakes). In its hearing notice, Treasury proposed a greater reduction in the rates for cold rolled than for hot rolled sheet. This proposal was based on November 1977 census data, which, apparently due to market conditions that month, showed lower rates for cold rolled than hot rolled sheets.

At the hearing, testimony was received that freight rates for cold rolled sheet should be equal to, or slightly higher than, those for hot rolled sheet. These impressions of the witnesses have been confirmed by calculations of census freight rate data for a 3-month period in late 1977. Accordingly, equal freight rates for hot and cold rolled sheet from Japan to the Great Lakes will be used.

10. Adjusted Great Lakes freight rates vis-a-vis east coast freight rates.

The TP freight rates for the Great Lakes, as adjusted by this notice, are slightly higher than the TP east coast freight rates. This relationship accords with the differential in Census Bureau data between Great Lakes rates and east coast rates from Japan.

TABLE IV.—*Gulf/East coast rate alinement Census Data (September-November 1977)*

[Metric ton]

	East coast	Great Lakes	Differential [1]
Plate	$31.99	31.63	−$0.36
Hot rolled sheet	31.02	33.13	+2.11
Cold rolled sheet	31.77	33.62	+1.85

[1] Lakes over East coast.

This small (and in one instance negative) rate differential apparently reflects competitive conditions, even though in terms of sea mileage and traveling time from Japan the Great Lakes route is more costly. Testimony

at the hearing indicated that the availability of grain as backhaul cargo from the Great Lakes region tends to keep the Great Lakes freight rates low and relatively close to eastern seaboard rates. The new differential between Lakes and east coast freight rates for the products addressed thus appears to be roughly in line with the historical data.

11. Wire rod.

Four parties filed written comments requesting downward adjustment of the Great Lakes freight rates for wire rod. The current TPM freight rates for wire rod are $26 at the Gulf and $45 at the Great Lakes—a differential of $19. Analysis of census data for September/November 1977 reveals a differential of only $17.30. According to the methodology used above, an adjustment is appropriate to correct the alinement between the Gulf and the Great Lakes freight rates for wire rod. The adjusted Great Lakes freight rate for wire rod is $43 ($26 Gulf TPM rate plus $17 census differential equals $43).

12. Interest.

Some witnesses at the hearing urged a downward revision in the interest component of trigger prices. Although this matter is outside the scope of the hearing notice, the interest calculations have been reviewed and the original results confirmed.

Interest calculations were based on the following formula:

Interest charge = FOB price + freight + insurance × 9.5% (prevailing Japanese interest rate) × voyage time (average 110 days for Great Lakes) ÷ 360

One witness at the hearing, taking issue with the voyage time of 110 days used to calulate the Great Lakes freight charge, stated that the one-way voyage time was only 60 days. Another witness stated that the normal time for the full shipment process was 100 days from Japan to a Great Lakes port. However, Japanese data submission revealed an average total elapsed time of 110 days for the five phases of the shipment process. In view of this concrete evidence, the Department concludes there is no reason to revise the present interest rate calculations.

III. CONCLUSIONS

Based on the above findings, the freight component of trigger prices on steel mill products imported through Great Lakes ports is adjusted as follows per metric ton:

Plate, $31.
Hot rolled sheet, $31.
Cold rolled sheet, $31.
Wire rod, $43.

The first three adjustments will take effect immediately because they are within the range announced in the hearing notice. The wire rod adjustment will take effect September 1, 1978.

PETER D. EHRENHAFT,
Deputy Assistant Secretary and Special Counsel (Tariff Affairs).

JULY 19, 1978.

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